

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Beulah	County Benzie
Fiscal Year End December 31, 2005	Opinion Date March 14, 2006	Date Audit Report Submitted to State June 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) J L Stephan Co, PC		Telephone Number 231-941-7600		
Street Address 862 E. Eighth St.		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Jerry L. Stephan		License Number 1101010359

# **VILLAGE OF BEULAH**

*Benzie County, Michigan*

*Audited Financial Statements*

*For the Year Ended December 31, 2005*

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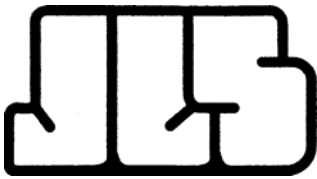
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FINANCIAL SECTION



# J L Stephan Co PC

## Certified Public Accountants

Jerry L. Stephan, CPA

Marty K. Szasz-Busby, CPA  
David Skibowski, Jr., CPA  
Christopher H. Cornell, CPA

### INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Beulah  
Beulah, MI 49617

We have audited the accompanying financial statements of the governmental activities of the Village of Beulah as of and for the year ended December 31, 2005 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Village as of December 31, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 24-28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Beulah. The combining non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*J. L. Stephan Co. P.C.*

March 14, 2006

**Village of Beulah**  
*Government Wide*  
**Statement of Net Assets**  
*December 31, 2005*

*Exhibit A*

	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Total</i>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 975,057	\$ 271,049	\$ 1,246,106
Investments	-	-	-
Receivables	21,431	48,480	69,911
Inventory	3,581	-	3,581
Capital Assets - net	<u>545,396</u>	<u>2,319,936</u>	<u>2,865,332</u>
<i>Total Assets</i>	<u>1,545,465</u>	<u>2,639,465</u>	<u>4,184,930</u>
<b>Liabilities</b>			
Accounts Payable	-	-	-
Accrued and Other Liabilities	5,959	-	5,959
Due to Other Funds	-	-	-
Deferred Revenue	21,426	-	21,426
Non-Current Liabilities			
Due within one year	20,000	60,000	80,000
Due within more than on year	<u>-</u>	<u>904,127</u>	<u>904,127</u>
<i>Total Liabilities</i>	<u>47,385</u>	<u>964,127</u>	<u>1,011,512</u>
<b>Net Assets</b>			
Invested in Capital Assets - net of related debt	545,396	1,332,809	1,878,205
Restricted			
Debt Service	18,531	214,792	233,323
Unrestricted	<u>934,153</u>	<u>127,737</u>	<u>1,061,890</u>
<i>Total Net Assets</i>	<u><u>\$ 1,498,080</u></u>	<u><u>\$ 1,675,338</u></u>	<u><u>\$ 3,173,418</u></u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
**Government Wide**  
**Statement of Activities**  
**For the Year Ended December 31, 2005**

*Exhibit B*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<i>Primary Government</i>							
General Government	\$ 126,669	\$ 9,949	\$ -	\$ -	\$ (116,720)		\$ (116,720)
Public Safety	7,972	-	-	-	(7,972)		(7,972)
Public Works	70,399	11,114	52,397	-	(6,888)		(6,888)
Community and Economic Dev.	21,700	1,025	-	-	(20,675)		(20,675)
Recreation and Culture	48,100	81,843	-	-	33,743		33,743
Other Functions	-	-	-	-	-		-
Internal Service	63,833	11,640	-	-	(52,193)		(52,193)
Interest on Long-Term Debt	1,870	-	-	-	(1,870)		(1,870)
<i>Total Governmental Activities</i>	<u>340,543</u>	<u>115,571</u>	<u>52,397</u>	<u>-</u>	<u>(172,575)</u>		<u>(172,575)</u>
Water & Sewer	316,255	194,127	-	-	-	\$ (122,128)	(122,128)
<i>Total Primary Government</i>	<u>\$ 656,798</u>	<u>\$ 309,698</u>	<u>\$ 52,397</u>	<u>\$ -</u>	<u>(172,575)</u>	<u>(122,128)</u>	<u>(294,703)</u>
<i>General Revenues</i>							
					197,824	44,676	242,500
					32,237	-	32,237
					-	38,634	38,634
					12,451	3,550	16,001
					5,168	-	5,168
					145,625	-	145,625
					(2,617)	-	(2,617)
					(50,000)	50,000	-
<i>Total General Revenues and Transfers</i>					<u>340,688</u>	<u>136,860</u>	<u>477,548</u>
<i>Change in Net Assets</i>					<u>168,113</u>	<u>14,732</u>	<u>182,845</u>
Net Assets - Beginning					<u>1,329,967</u>	<u>1,660,606</u>	<u>2,990,573</u>
					<u>\$ 1,498,080</u>	<u>\$ 1,675,338</u>	<u>\$ 3,173,418</u>

*The Notes to Financial Statements are an integral part of this statement*



**Village of Beulah**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2005**

*Exhibit C*

	<i>General</i>	<i>Major Streets</i>	<i>Local Streets</i>	<i>Public Improvement Fund</i>	<i>Capital Projects Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total</i>
<b>Assets</b>							
Cash - Unrestricted	\$ 522,844	\$ 77,686	\$ 32,420	\$ 252,526	\$ 25,179	\$ 23,582	\$ 934,237
Taxes & Fees Receivable	19,246	-	-	-	-	2,180	21,426
Inventory	3,581	-	-	-	-	-	3,581
Due from Other Funds	5	-	-	-	-	-	5
<i>Total Assets</i>	<u>545,676</u>	<u>77,686</u>	<u>32,420</u>	<u>252,526</u>	<u>25,179</u>	<u>25,762</u>	<u>959,249</u>
<b>Liabilities</b>							
Payroll Liabilities	5,959	-	-	-	-	-	5,959
Due to Other Funds	-	-	-	-	-	-	-
Deferred Revenue	19,246	-	-	-	-	2,180	21,426
<i>Total Liabilities</i>	<u>25,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,180</u>	<u>27,385</u>
<b>Fund Balances</b>							
Fund Balances - Unreserved	<u>520,471</u>	<u>77,686</u>	<u>32,420</u>	<u>252,526</u>	<u>25,179</u>	<u>23,582</u>	<u>931,864</u>
<i>Total Fund Balances</i>	<u>\$ 520,471</u>	<u>\$ 77,686</u>	<u>\$ 32,420</u>	<u>\$ 252,526</u>	<u>\$ 25,179</u>	<u>\$ 23,582</u>	<u>931,864</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Reconciliation of the Balance Sheet  
to the Statement of Net Assets  
December 31, 2005*

*Exhibit D*

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Fund Balance - Total Governmental Funds (Exhibit C)	\$ 931,864
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*Amounts reported for governmental activities in the statement of net assets  
are different because:*

General Governmental Capital Assets of \$860,075 net of accumulated depreciation of (\$437,220) are not financial resources and not reported in the funds.	422,855
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	163,361
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Some Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported in the fund.	<u>(20,000)</u>
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Net Assets of Governmental Activities (Exhibits A & B)	<u><u>\$ 1,498,080</u></u>
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**Village of Beulah**  
**Governmental Fund**  
**Statement of Revenue, Expenditures**  
**and Changes on Fund Balance**  
**For the Year Ended December 31, 2005**

*Exhibit E*

	<i>General Fund</i>	<i>Major Streets Fund</i>	<i>Local Streets Fund</i>	<i>Public Improvement Fund</i>	<i>Capital Projects Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>							
Property Taxes	\$ 179,100	\$ -	\$ -	\$ -	\$ -	\$ 18,724	\$ 197,824
Licenses & Permits	12,959	-	-	-	-	-	12,959
State Grants	32,237	35,692	16,705	-	-	-	84,634
Charges for Services	81,023	-	-	-	-	-	81,023
Interest Earned	7,407	217	65	4,354	23	246	12,312
Contributions & Donations	2,566	-	-	-	143,059	-	145,625
Reimbursements	19,244	-	-	-	-	-	19,244
Refunds	5,168	-	-	-	-	-	5,168
Miscellaneous Income	-	-	-	-	-	-	-
<i>Total Revenues</i>	<u>339,704</u>	<u>35,909</u>	<u>16,770</u>	<u>4,354</u>	<u>143,082</u>	<u>18,970</u>	<u>558,789</u>
<b>Expenditures</b>							
General Government	153,656	-	-	-	-	-	153,656
Public Safety	7,972	-	-	-	-	-	7,972
Public Works	25,030	42,232	63,533	-	-	-	130,795
Community and Economic Dev.	21,700	-	-	-	-	-	21,700
Recreation and Culture	48,937	-	-	-	148,936	-	197,873
Other Functions	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	21,870	21,870
<i>Total Expenditures</i>	<u>257,295</u>	<u>42,232</u>	<u>63,533</u>	<u>-</u>	<u>148,936</u>	<u>21,870</u>	<u>533,866</u>
<i>Excess Revenues Over (Under) Expenditures</i>	82,409	(6,323)	(46,763)	4,354	(5,854)	(2,900)	24,923
<b>Other Financing Sources (Uses)</b>							
Operating Transfers In	-	33,200	68,575	-	-	-	101,775
Operating Transfers (Out)	(151,775)	-	-	-	-	-	(151,775)
<i>Total Other Financing Sources (Uses)</i>	<u>(151,775)</u>	<u>33,200</u>	<u>68,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>							
<i>Expenditures and Other Uses</i>	(69,366)	26,877	21,812	4,354	(5,854)	(2,900)	(25,077)
Fund Balance - Beginning	589,837	50,809	10,608	248,172	31,033	26,482	956,941
Fund Balance - Ending	<u>\$ 520,471</u>	<u>\$ 77,686</u>	<u>\$ 32,420</u>	<u>\$ 252,526</u>	<u>\$ 25,179</u>	<u>\$ 23,582</u>	<u>\$ 931,864</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Reconciliation of the Statement of Revenue, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2005*

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*Exhibit F*

Change in Fund Balance - Total Governmental Funds (Exhibit E)	\$ (25,077)
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$206,706) exceeds depreciation (\$15,709) in the current period.	190,997
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Loss on Un-Depreciated portion of 1994 roof installation	(1,782)
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Payment of Long-Term Debt - Debt Service Fund	20,000
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) is reported with governmental activities	<u>(16,025)</u>
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Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 168,113</u></u>
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**Village of Beulah**  
*Proprietary Fund*  
**Statement of Net Assets**  
*December 31, 2005*

*Exhibit G*

	<i>Enterprise</i>	<i>Internal Service</i>
<b>Assets</b>		
<i>Current Assets</i>		
Cash-Unrestricted	\$ 56,257	\$ 40,820
Taxes Receivable	4,848	-
Accounts Receivable	43,632	-
	<hr/>	<hr/>
<i>Total Current Assets</i>	104,737	40,820
<i>Non-current Assets</i>		
Cash-Restricted	214,792	-
Construction in Progress	23,000	-
Capital Assets - net	2,296,936	122,541
	<hr/>	<hr/>
<i>Total Non-current Assets</i>	2,534,728	122,541
	<hr/>	<hr/>
<i>Total Assets</i>	2,639,465	163,361
	<hr/>	<hr/>
<b>Liabilities</b>		
Bonds Payable	964,127	-
Due to Other Funds	-	-
	<hr/>	<hr/>
<i>Total Liabilities</i>	964,127	-
	<hr/>	<hr/>
<b>Net Assets</b>		
Invested in Capital Assets - net of debt	1,332,809	122,541
Restricted for Debt Service	214,792	-
Unrestricted	127,737	40,820
	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 1,675,338</u>	<u>\$ 163,361</u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Proprietary Fund*  
**Statement of Revenue, Expenses**  
*and Changes in Net Assets*  
**For the Year Ended December 31, 2005**

*Exhibit H*

	<i>Enterprise</i>	<i>Internal Service</i>
<b>Operating Revenues</b>		
Water Sales	\$ 84,020	\$ -
Sewer Sales	81,480	-
Other Charges & Sales	23,310	-
Rentals	-	50,426
Refunds	5,317	-
<i>Total Operating Revenues</i>	<u>194,127</u>	<u>50,426</u>
<b>Operating Expenses</b>		
Personal Services	43,113	8,326
Supplies	17,565	16,804
Contractual Services	29,657	-
Utilities	12,207	-
Repairs & Rentals	63,252	12,472
Other Service & Charges	3,885	5,332
Depreciation	120,968	22,821
<i>Total Operating Expenses</i>	<u>290,647</u>	<u>65,755</u>
<i>Operating Income (Loss)</i>	(96,520)	(15,329)
<b>Non-Operating Revenues (Expenses)</b>		
Property Taxes	44,676	-
Sewer Debt Fees	38,634	-
Interest Earned	3,550	139
Gain (Loss) on Disposal of Assets	-	(835)
Bond Interest Expense	(25,608)	-
	<u>61,252</u>	<u>(696)</u>
<i>Income (Loss) Before Transfers</i>	(35,268)	(16,025)
Operating Transfer In	50,000	-
Operating Transfer (Out)	-	-
<i>Net Operating Transfers In (Out)</i>	<u>50,000</u>	<u>-</u>
<i>Net Income (Loss)</i>	14,732	(16,025)
<i>Retained Earnings - Beg of Year</i>	<u>1,660,606</u>	<u>179,386</u>
<i>Retained Earnings - End of Year</i>	<u><u>\$ 1,675,338</u></u>	<u><u>\$ 163,361</u></u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Proprietary Fund*  
**Statement of Cash Flows**  
For the Year Ended December 31, 2005

*Exhibit I*

	<i>Enterprise</i>	<i>Internal Service</i>
<b><i>Cash Flows From Operating Activities</i></b>		
Operating income (loss)	\$ (96,520)	\$ (15,329)
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation	120,968	22,821
<i>(Increase) decrease in Current Assets</i>		
Taxes Receivable	(152)	-
Accounts Receivable	327	-
Due from Other Funds	-	-
<i>Increase (decrease) in Current Liabilities</i>		
Accounts Payable	-	-
Due to Other Funds	-	-
<b><i>Net Cash Flows From Operating Activities</i></b>	<b>24,623</b>	<b>7,492</b>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>		
Proceeds of Bond Issue	-	-
Property Tax Revenue	44,676	-
Sewer Debt Fees	38,634	-
Bond Principle Payments	(60,000)	-
Proceeds from Sale of Capital Assets	-	-
Construction in Progress	(23,000)	-
Acquisition of Capital Assets	(3,556)	(11,780)
Net Transfers	50,000	-
Interest Expense	(25,608)	-
<b><i>Net Cash Flows From Capital and Related Financing Activities</i></b>	<b>21,146</b>	<b>(11,780)</b>
<b><i>Cash Flows From Investing Activities</i></b>		
Interest Income	3,550	139
<b><i>Net Cash Flows From Investing Activities</i></b>	<b>3,550</b>	<b>139</b>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>49,319</b>	<b>(4,149)</b>
<b><i>Cash and Cash Equivalents at Beginning of Year</i></b>	<b>221,730</b>	<b>44,969</b>
<b><i>End of Year</i></b>	<b>\$ 271,049</b>	<b>\$ 40,820</b>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Fiduciary Fund*  
**Statement of Net Assets**  
*December 31, 2005*

*Exhibit J*

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	<i>Tax Account</i>
<b>Assets</b>	
Cash	\$          5
Due From Other Funds	<u>          -</u>
<i>Total Assets</i>	<u>          5</u>
<b>Liabilities</b>	
Accounts Payable	-
Due to Other Funds	<u>          5</u>
<i>Total Liabilities</i>	<u>          5</u>
<b>Net Assets</b>	
Held in Trust	<u><u>          \$          -</u></u>

*The Notes to Financial Statements are an integral part of this statement*



**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Beulah have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

**A. Reporting Entity**

The Village of Beulah was incorporated in 1932 as a home rule Village. The Village operates under a charter adopted January 25, 1932, as amended and is governed by an elected President-Council form of government. The Village population as of the 2000 census was 363 and the current state taxable valuation is \$22,439,352.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

*Beulah Public Library* - The Beulah Public Library is located in the Village Hall Building and serves the general public. The Library Board is not appointed, controlled by or responsible to the Village Council. Library operations and management functions are totally separate from the Village and the Library is required to have a separate audit of its financial statements. Based on these facts, the Village does not consider the Library as part of its reporting entity and does not include the financial activity of the Library Board in these financial statements.

**B. Government –Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village collects property taxes between July 1 and September 15. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Village for uncollected taxes from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Village to collect. Delinquent real property taxes receivable are offset by deferred revenue on the Village's balance sheet, as these accounts are not normally received within sixty days of year-end, and are therefore not available to finance current operations.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the fiscal period. Property taxes and state-shared revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current period. All other revenue items are considered to be available only when the cash is received by the government.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The local unit reports the following major governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The major special revenue funds maintained by the Village are the Major Streets, Local Streets, Public Improvement and Capital Projects Funds

Capital Projects Fund – Capital Project Funds are used to account for the acquisition or construction of major capital facilities by governmental units that are not accounted for by proprietary funds and trust funds.

The Village also maintains the following non-major Special Revenue Funds: Water and Sewer Improvement Fund and Debt Service Fund.

The local unit reports the following major proprietary fund:

*Enterprise Funds* - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The Water & Sewer Fund is operated with the intention that the cost of providing water services to the public will be financed or recovered primarily through charges to users.

Additionally, the government reports the following fund types:

*Internal Service Fund* - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The Village operates a Motor Vehicle Equipment Pool Fund.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services, including tap fees intended to recover current costs such as labor and material to hook up new customers. The portion of charges intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**D. Assets, Liabilities, and Net Assets or Equity**

*Bank Deposits and Investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*Accounts Receivable* - Accounts Receivable are recorded in the Water Fund at the time customers are billed for current services. Uncollected delinquent accounts are placed on the customer's tax bill in the summer and any amounts not collected by the Village are turned over to the County.

*Inventories* - Proprietary Fund type inventories are considered to be immaterial at year-end, and thus are not reflected in the Financial Statement. General Fund inventories consist of garbage bags to be resold and are recorded at cost.

*Vacation and Sick Leave* - The Village has a formal personnel policy relating to vacation and sick leave. All vacations must be taken within twelve months of the seniority date. Each employee will be entitled to six days per year sick leave, accumulative up to ninety days. Upon termination of employment, the employee will not receive pay for any unused portion. Because of this, unused sick leave is recognized when paid, and no liability is reflected in the financial statements.

*Restricted Assets* – The revenue bonds of the enterprise fund require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and bond reserve. These amounts have been classified as restricted assets.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Capital Assets* – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation has been provided on these fixed assets using the straight line method over there estimated useful lives.

- |                                  |             |
|----------------------------------|-------------|
| • Furniture and Office Equipment | 5 years     |
| • Maintenance Equipment          | 7 years     |
| • Park Equipment and Structures  | 10 years    |
| • Buildings and Improvements     | 30 years    |
| • Water & Sewer Fund             | 10-50 years |
| • Motor Vehicle Fund             | 5-10 years  |

*Long-Term Obligations* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

*Fund Equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The General Fund and Special Revenue Fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis and used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

In the body of the financial statements the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a function basis. The approved budgets of the Village for these budgetary funds were adopted at the activity level.

Encumbrance accounting is not used and appropriations lapse at year-end.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued**

**B. Budget Compliance**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the current year, the Village incurred the following expenditures in excess of the amounts appropriated.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Accounting	\$ 8,500	\$ 9,203	\$ (703)
General Fund: Transfers Out	105,275	151,775	(46,500)

The Capital Projects Fund is a new fund in 2005 maintained for the construction of Trailhead and Visitor Center in the Village. In the prior year, the receipts and disbursements were accounted for in an agency fund because it was undetermined who would “own” the building. During 2005, it was determined the Village would lease the land as well as own and maintain the building. No budget was established and none is required under P.A. 621 of 1978, as amended.

The general obligation bond ordinance allows for a tax levy sufficient to service current debt payments. There is currently a surplus of excess taxes collected in this fund of over \$18,530. The remaining cash needs to pay off the bond is \$20,940.

The 1999 Limited Tax Bond allows for a tax levy or debt fee sufficient to service current debt payments. There is currently a surplus of excess fees collected in this fund of approximately \$188,777. The total bond principal due over the next 15 years is only \$110,000.

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

**A. Legal or Contractual Provisions for Deposits and Investments**

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943 as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the Village, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection 2.
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
4. In banker's acceptances of United States banks.
5. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**Village of Beulah**  
*Notes to Financial Statements*  
For the Year Ended December 31, 2005

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS – continued**

*B. Types of Deposits and Investments*

The Village maintains all its surplus funds with local banks in the form of savings/checking accounts and certificates of deposit. Interpreting FDIC rules regarding the \$100,000 insurance limit to apply separately to the demand and time deposits of public units, GASB statement 3 risk disclosures for the Village are as follows:

- Category 1     Insured or collateralized with securities held by the entity or its agent in the entity's name.
- Category 2     Collateralized with securities held by the pledging financial institution's trust department or agent in entity's name.
- Category 3     Un-collateralized

		<u>Category</u>		
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>
Cash Deposits	\$ 1,246,111	\$ 100,000	\$ -	\$ 1,146,111
Cash Equiv.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,246,111</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,146,111</u>

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	<u>Amount</u>
Governmental Activities	\$ 949,878
Business Type Activities	271,049
Fiduciary Funds	<u>25,184</u>
Total Deposits	<u>\$ 1,246,111</u>

**NOTE 4 - SUMMARY OF CAPITAL ASSETS**

Capital asset activity of the primary government for the current year is summarized as follows:

*Governmental Activities*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 29,781	\$ -	\$ -	\$ 29,781
Construction in Progress	<u>31,033</u>	<u>147,591</u>	<u>-</u>	<u>178,624</u>
	<u>60,814</u>	<u>147,591</u>	<u>-</u>	<u>208,405</u>

**Village of Beulah**  
*Notes to Financial Statements*  
For the Year Ended December 31, 2005

**NOTE 4 - SUMMARY OF CAPITAL ASSETS - continued**

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	69,497	10,350	-	79,847
Buildings & Improvements	288,902	24,565	(2,814)	310,653
Equipment	188,123	-	-	188,123
Roads/Paving	48,847	24,200	-	73,047
<i>Internal Service Fund- Motor Vehicle Equip.</i>	<u>298,322</u>	<u>11,780</u>	<u>(3,424)</u>	<u>306,678</u>
	<u>893,691</u>	<u>70,895</u>	<u>(6,238)</u>	<u>958,348</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(19,161)	(2,386)	-	(21,547)
Buildings	(236,458)	(6,037)	1,032	(241,463)
Equipment	(165,652)	(4,239)	-	(169,891)
Roads/Paving	(1,272)	(3,047)	-	(4,319)
<i>Internal Service Fund- Motor Vehicle Equip.</i>	<u>(163,905)</u>	<u>(22,821)</u>	<u>2,589</u>	<u>(184,137)</u>
	<u>(586,448)</u>	<u>(38,530)</u>	<u>3,621</u>	<u>(621,357)</u>
<i>Net Capital Assets being Depreciated</i>	<u>307,243</u>	<u>32,365</u>	<u>(2,617)</u>	<u>336,991</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 368,057</u>	<u>\$ 179,956</u>	<u>\$ (2,617)</u>	<u>\$ 545,396</u>
<u><i>Business-Type Activities</i></u>				
	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<i>Capital Assets Not Being Depreciated</i>				
Construction in Progress	\$ -	\$ 23,000	\$ -	\$ 23,000
<i>Capital Assets Being Depreciated</i>				
Water Plant & Systems	1,304,743	-	-	1,304,743
Sewage System	<u>2,649,566</u>	<u>3,556</u>	<u>-</u>	<u>2,653,122</u>
	<u>3,954,309</u>	<u>3,556</u>	<u>-</u>	<u>3,957,865</u>



**Village of Beulah**  
*Notes to Financial Statements*  
For the Year Ended December 31, 2005

**NOTE 4 - SUMMARY OF CAPITAL ASSETS - continued**

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<i>Accumulated Depreciation</i>				
Water Plant & Systems	(559,351)	(39,678)	-	(599,029)
Sewage System	<u>(980,610)</u>	<u>(81,290)</u>	<u>-</u>	<u>(1,061,900)</u>
	<u>(1,539,961)</u>	<u>(120,968)</u>	<u>-</u>	<u>(1,660,929)</u>
<i>Net Capital Assets being Depreciated</i>	<u>2,414,348</u>	<u>(117,412)</u>	<u>-</u>	<u>2,296,936</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 2,414,348</u>	<u>\$ (94,412)</u>	<u>\$ -</u>	<u>\$ 2,319,936</u>

Depreciation expense in the current year was charged to programs of the primary government as follows:

*Governmental Activities*

General Government	\$ 3,507
Public Works	4,034
Recreation and Culture	8,168
Internal Service Fund- unallocated	<u>22,821</u>
Total Governmental Activities	<u>\$ 38,530</u>

*Business-Type Activities*

Water & Sewer System	<u>\$ 120,968</u>
Total Business-Type Activities	<u>\$ 120,968</u>

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of transactions that occurred in bonds payable during the year ended December 31, 2005:

	<i>1988 GO Debt Bonds</i>	<i>1999 Limited Tax Sewer Bonds</i>	<i>1999 Unlimited Tax Sewer Bonds</i>
Beginning Balances	\$ 40,000	\$ 115,000	\$ 909,127
New Issues	-	-	-
Debt Payments	<u>(20,000)</u>	<u>(5,000)</u>	<u>(55,000)</u>
Ending Balance	<u>\$ 20,000</u>	<u>\$ 110,000</u>	<u>\$ 854,127</u>

**Village of Beulah**  
*Notes to Financial Statements*  
For the Year Ended December 31, 2005

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**NOTE 5 - LONG-TERM DEBT - continued**

Amount required to amortize long-term debt:

Year Ending	1988 GO Debt Bonds	1999 Limited Tax Bonds	1999 Unlimited Tax Sewer Bonds
2006	\$ 20,940	\$ 7,750	\$ 76,353
2007	-	7,625	74,978
2008	-	7,500	73,603
2009	-	7,375	72,228
2010	-	7,250	70,853
2011-2015	-	53,625	357,891
2015-2019	<u>-</u>	<u>42,500</u>	<u>297,040</u>
Total Payments	20,940	133,625	1,022,946
Less: Interest	<u>(940)</u>	<u>(23,625)</u>	<u>(168,819)</u>
Total	<u>\$ 20,000</u>	<u>\$ 110,000</u>	<u>\$ 854,127</u>

1988 General Obligation Water and Sewer Improvement Bonds

On February 19, 1987, the Village issued bonds in the principal amount of \$285,000 for the purpose of defraying a part of the cost of constructing Water and Sewer System improvements. The principal retirements are due November 1 with interest of payable November 1 and May 1 each year. Listed below is a schedule of annual principle requirements and interest rates:

2006	\$ 20,000	4.7%
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1999 General Obligation Sewer Improvement Bonds

On August 5, 1999, the Village approved bonds in the principal amount of \$1,340,000 for the purpose of defraying a part of the cost of constructing Sewer System improvements. The bonds are payable through an annual property tax levy and special user fee sufficient to pay the interest and principal as they fall due.

*1999 General Obligation Limited Tax Bonds* - Interest payable October 1 and April 1 of each year, with principal (\$140,000) due on October 1 of each year as follows:

2006 – 2011	\$ 5,000 per year	2.50%
2012 – 2019	10,000 per year	2.50%

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 5 - LONG-TERM DEBT - continued**

*1999 General Obligation Unlimited Tax Sewer Bonds* - Interest payable October 1 and April 1 of each year, with principal (\$1,200,000) due on October 1 of each year as follows:

2006 - 2008	55,000 per year	2.50%
2009 - 2011	60,000 per year	2.50%
2012 - 2014	65,000 per year	2.50%
2015 - 2017	70,000 per year	2.50%
2018 - 2019	75,000 per year	2.50%

**NOTE 6 - RETIREMENT PLANS**

A SIMPLE IRA Plan was made available to all Village employees beginning in January of 2002. Employees may contribute a portion of their annual wages before taxes to the Plan. The Village matches employee contributions up to 3% of gross wages. The contribution expense for the year ended December 31, 2005 was \$1,288.

**NOTE 7 – LEASES**

The Friends of the Betsie Valley Trail, Rotary charities and the Village joined to build a visitors' center at the Betsie Valley trailhead in the Village of Beulah. The building is built on property owned by the State of Michigan and leased to the Village of Beulah. The initial term of the lease is 25 years beginning July 1, 2005 with no lease payment. However, the Village is responsible for the maintenance and upkeep of the building according to the terms of the lease. For 2006, the Village has budgeted for the maintenance as part of its buildings and grounds budget activity in the general fund of the Village.

**NOTE 8 – RISK MANAGEMENT**

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Village carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. Also, the Village carries worker's compensation insurance with Accident Fund of Michigan. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Village carries health insurance with Michigan Municipal League.

**Village of Beulah**  
*Notes to Financial Statements*  
*For the Year Ended December 31, 2005*

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**NOTE 9 – PRIOR PERIOD ADJUSTMENT**

As discussed in Notes 4 and 7, the Village joined with the Friends of the Betsie Valley Trail and Rotary Charities to build a visitors' center at the Betsie Valley Trailhead. In the prior year, the receipts and disbursements for the new center were recoded in an agency fund. Based on new facts and conditions not existing in the prior year, the construction of the new building should more properly be accounted for in a capital projects fund. Therefore, governmental revenues and expenditures were understated in the prior year by \$40,750 and \$9,717 respectively. The following is a summary and reconciliation of current beginning governmental fund balances and governmental activity net assets:

Prior Year Ending Fund Balance	\$ 925,908
Capital Projects Fund Balance	<u>31,033</u>
Corrected Governmental Fund Balance December 31, 2004	956,941
<i>Adjustments to Reconcile Net Assets</i>	
Long-Term Debt Payments	(40,000)
Internal Service Fund Net Assets	179,386
General Fixed Assets – Net	202,607
Construction In Progress Visitors' Center	<u>31,033</u>
Corrected Governmental Activities – Net Assets – December 31, 2004	<u>\$ 1,329,967</u>

**NOTE 10 – COMMITMENTS**

The Village is in the process of planning and engineering improvements to its water and sewer system. The Village expects to issue bonds to fund the improvements estimated to cost 2.2 million dollars. To date, the Village has incurred approximately \$23,000 in costs related to the engineering and planning of the new project.

REQUIRED SUPPLEMENTAL INFORMATION

**Village of Beulah**  
*Budgetary Comparison Schedule*  
*General Fund*  
*For the Year Ended December 31, 2005*

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 589,837	\$ 589,837	\$ 589,837	\$ -
<b><i>Resources (Inflows)</i></b>				
Property Taxes-Current	155,000	155,000	150,929	(4,071)
Property Tax-Delinquent	18,000	18,000	17,857	(143)
Personal Property Tax	5,000	5,000	5,375	375
Personal Property Tax-Delinq.	-	-	438	438
Property Tax Admin Fees	2,000	2,000	2,577	577
Interest/Penalty on Taxes	-	-	1,924	1,924
Dock Permits	10,000	10,000	11,934	1,934
Zoning Fees	1,000	1,000	1,025	25
State Shared Revenue	32,000	32,000	32,237	237
Trailer Park Fees	70,000	70,000	69,540	(460)
Trailer Park Ice Sales	600	600	369	(231)
Refuse Collection Fees	10,000	10,000	11,114	1,114
Interest Earned	4,000	4,000	7,407	3,407
Rents & Royalties	6,000	6,000	-	(6,000)
Contributions & Donations	-	-	2,566	2,566
Reimbursed Labor & Benefits	15,000	15,000	19,244	4,244
Refunds	1,500	1,500	5,168	3,668
Miscellaneous Income	1,000	1,000	-	(1,000)
Transfers from Other Funds	-	-	-	-
<b><i>Total Available for Appropriation</i></b>	<b>920,937</b>	<b>920,937</b>	<b>929,541</b>	<b>8,604</b>
<b><i>Charges to Appropriations (Outflows)</i></b>				
General Government				
Village Council	19,200	19,200	16,122	3,078
Elections	-	-	-	-
Accounting	8,500	8,500	9,203	(703)
Clerk	13,800	13,800	12,503	1,297
Treasurer	12,900	12,900	11,055	1,845
Village Hall & Grounds	61,400	61,400	52,703	8,697
Other General Government	62,500	62,500	52,070	10,430
Public Safety				
Police Department	25,000	15,000	7,972	7,028
Public Works				
Street Lights	12,000	12,000	10,339	1,661
Sanitation	17,000	17,000	14,691	2,309
Community & Economic Development				
Zoning	12,600	22,600	21,700	900
Planning Commission	300	300	-	300

*Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Budgetary Comparison Schedule*  
*General Fund*  
*For the Year Ended December 31, 2005*

*Schedule 1*

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	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Parks & Recreation	59,450	59,450	48,937	10,513
Other Expenditures				
Contingencies	-	-		-
Transfers to Other Funds	105,275	105,275	151,775	(46,500)
<i>Total Charges to Appropriations</i>	<u>409,925</u>	<u>409,925</u>	<u>409,070</u>	<u>855</u>
 Budgetary Fund Balance	 <u>\$ 511,012</u>	 <u>\$ 511,012</u>	 <u>\$ 520,471</u>	 <u>\$ 9,459</u>

*Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
*Budgetary Comparison Schedule*  
*Major Streets Fund*  
*For the Year Ended December 31, 2005*

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 50,809	\$ 50,809	\$ 50,809	\$ -
<b><i>Resources (Inflows)</i></b>				
State Gas & Weight	32,000	32,000	30,418	(1,582)
Snow Removal Reimbursement	4,000	4,000	5,274	1,274
Interest & Dividends Earned	100	100	217	117
Miscellaneous Income	-	-	-	-
Transfers from Other Funds	33,200	33,200	33,200	-
<i>Total Available for Appropriation</i>	120,109	120,109	119,918	(191)
<b><i>Charges to Appropriations (Outflows)</i></b>				
Construction	10,000	10,000	-	10,000
Routine Maintenance	18,000	18,000	17,125	875
Traffic Services	1,000	1,000	650	350
Winter Maintenance	30,500	30,500	24,138	6,362
Administration	2,800	2,800	319	2,481
Contingency	-	-	-	-
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	62,300	62,300	42,232	20,068
Budgetary Fund Balance	<u>\$ 57,809</u>	<u>\$ 57,809</u>	<u>\$ 77,686</u>	<u>\$ 19,877</u>

*The Notes to Financial Statements are an integral part of this statement*



**Village of Beulah**  
*Budgetary Comparison Schedule*  
*Local Streets Fund*  
For the Year Ended December 31, 2005

Schedule 3

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 10,608	\$ 10,608	\$ 10,608	\$ -
<b><i>Resources (Inflows)</i></b>				
State Gas & Weight	12,000	12,000	11,731	(269)
Snow Removal Reimbursement	4,000	4,000	4,974	974
Interest & Dividends Earned	25	25	65	40
Miscellaneous Income	-	-	-	-
Transfers from Other Funds	<u>68,575</u>	<u>68,575</u>	<u>68,575</u>	<u>-</u>
<i>Total Available for Appropriation</i>	95,208	95,208	95,953	745
<b><i>Charges to Appropriations (Outflows)</i></b>				
Construction	35,000	35,000	24,404	10,596
Routine Maintenance	20,000	20,000	18,206	1,794
Traffic Services	500	500	456	44
Winter Maintenance	25,650	25,650	20,169	5,481
Administration	1,450	1,450	298	1,152
Contingency	-	-	-	-
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Charges to Appropriations</i>	<u>82,600</u>	<u>82,600</u>	<u>63,533</u>	<u>19,067</u>
Budgetary Fund Balance	<u>\$ 12,608</u>	<u>\$ 12,608</u>	<u>\$ 32,420</u>	<u>\$ 19,812</u>

The Notes to Financial Statements are an integral part of this statement

**Village of Beulah**  
*Budgetary Comparison Schedule*  
*Public Improvement Fund*  
*For the Year Ended December 31, 2005*

Schedule 4

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 248,172	\$ 248,172	\$ 248,172	\$ -
<b><i>Resources (Inflows)</i></b>				
Property Taxes	-	-	-	-
Interest & Dividends Earned	2,500	2,500	4,354	1,854
Contributions & Donations	-	-	-	-
Miscellaneous Income	-	-	-	-
Transfers from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	250,672	250,672	252,526	1,854
<b><i>Charges to Appropriations (Outflows)</i></b>				
Supplies	-	-	-	-
Miscellaneous Expense	-	-	-	-
Contingency	-	-	-	-
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	-	-	-	-
Budgetary Fund Balance	<u>\$ 250,672</u>	<u>\$ 250,672</u>	<u>\$ 252,526</u>	<u>\$ 1,854</u>

*The Notes to Financial Statements are an integral part of this statement*

ADDITIONAL INFORMATION

**Village of Beulah**  
*Combining Balance Sheet*  
*Non-Major Governmental Funds*  
*December 31, 2005*

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	<i>Water &amp; Sewer Improvement</i>	<i>Debt Service Fund</i>	<i>Total Non-Major Governmental Funds</i>
<b>Assets</b>			
Cash	\$ 5,051	\$ 18,531	\$ 23,582
Taxes Receivable	-	2,180	2,180
Due from Other Funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u><u>\$ 5,051</u></u>	<u><u>\$ 20,711</u></u>	<u><u>\$ 25,762</u></u>
<b>Liabilities and Fund Equity</b>			
Accounts Payable	\$ -	\$ -	\$ -
Deferred Revenue	-	2,180	2,180
Due to Other Funds	-	-	-
Fund Balance	5,051	18,531	23,582
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Equity</i>	<u><u>\$ 5,051</u></u>	<u><u>\$ 20,711</u></u>	<u><u>\$ 25,762</u></u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Beulah**  
Combining Statement of Revenue, Expenditures  
and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended December 31, 2005

	<i>Water &amp; Sewer Improvement</i>	<i>Debt Service Fund</i>	<i>Total Non-Major Governmental Funds</i>
<b>Revenues</b>			
Taxes and Penalties	\$ -	\$ 18,724	\$ 18,724
Charges for Services	-	-	-
Interest and Rentals	18	228	246
Other Revenue	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	18	18,952	18,970
<b>Expenditures</b>			
General Government	-	-	-
Public Safety	-	-	-
Recreational & Culture	-	-	-
Other	-	-	-
Debt Service	-	21,870	21,870
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	-	21,870	21,870
<i>Excess Revenues (Expenditures)</i>	18	(2,918)	(2,900)
<b>Other Financing Sources and (Uses)</b>			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources and Uses</i>	-	-	-
<i>Excess Revenues (Expenditures) and Other Sources (Uses)</i>	18	(2,918)	(2,900)
Fund Balance - Beginning Or Year	<hr/> 5,033	<hr/> 21,449	<hr/> 26,482
Fund Balance - End of Year	<u>\$ 5,051</u>	<u>\$ 18,531</u>	<u>\$ 23,582</u>

*The Notes to Financial Statements are an integral part of this statement*

OTHER INFORMATION (UNAUDITED)

## **Village of Beulah**

### *Comments and Recommendations*

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We have audited the combined financial statements of the Village of Beulah for the year ended December 31, 2005 and issued our report thereon dated March 14, 2006. As part of our examination, we considered the Village's internal control structure. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because the study and evaluation were only part of the overall audit plan regarding the financial statements, it was not intended to be a complete review of all of your accounting procedures and therefore, would not necessarily disclose all weaknesses in the system.

In a continuing effort to improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for you to consider.

#### *Water & Sewer Customer Revenues and Receivables*

We noted the January through March billings were not posted to the general ledger. It appears the former Treasurer did not review or analyze monthly financial reports. The Treasurer should review the financial statements to ensure the quarterly billings are posted. Any discrepancies should be resolved as soon as possible.

#### *1999 Limited Tax Bank Account*

This account is used to account for water and sewer debt service fees and make payments for Bond Issue #5146-01B. The balance in the bank account is \$188,777 and cash needs for 2006 is \$7,750. There is only \$110,000 in bond principal remaining. We recommend the Village suspend debt service fees for this bond issue and pay all of the 1999 Limited Tax Bonds early.

Currently, the Village levies approximately \$44,800 in taxes and charges customers approximately \$38,600 to pay for sewer debt. Cash reserves are sufficient to retire all of the 1999 Limited Tax bonds. Levies and charges are more than sufficient to maintain the yearly debt service on the 1999 Unlimited Tax bonds of approximately \$75,000. We recommend the Village review its tax levy and customer charges and make adjustments as required to maintain debt service and the required reserve.

#### *Budgeting*

We noted only two budget centers were over expended for the year and have seen increased care in reviewing the budgets in recent years. However, P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall amend a budget when needed to prevent over expenditure and we recommend the Village continue its diligence to ensure there are no future budgetary violations. This is a repeat comment from the prior year.

#### *Water and Sewer Operating Loss*

The Water and Sewer Fund had an operating loss of approximately \$96,520 in the current year. However, cash provided by operations was approximately \$24,600. The difference is primarily depreciation charged to operations. The board should be commended for their efforts to reverse the operating deficits and cash flows in prior years.

#### *Tax Collections/Disbursements*

We noted miscellaneous amounts due and from in the tax account after final disbursement. None of the amounts were material, however, greater care should be taken to reconcile and disburse correct amounts from the tax account.

# **Village of Beulah**

## *Comments and Recommendations*

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### Trailhead/Welcome Center

Based on new facts, the receipts and disbursements for the Visitors' Center at the Betsie Valley trailhead should be accounted for in a capital projects fund. When construction is complete and all related invoices paid, any remaining funds should be transferred to the general fund. Any fund usage restrictions imposed by donors must be followed.

### Closing Comments

We are happy to discuss any of these recommendations and assist in their implementation. As a matter of course, we will forward these statements to the State Treasury Department. This report is intended solely for the information and use of the Village of Beulah's management, and others within the organization. Should any questions arise regarding these financial statements or the conduct of our audit, please call upon us.